



January 31, 2002

California Energy Commission  
Docket Unit  
1516 Ninth Street, MS-4  
Sacramento, CA 95814

Ref: Docket Number 99-DIST-GEN-(2)

Gentlemen:

TriStar Power, Inc. is a privately held company engaged in the development, ownership, and operation of distributed generation projects. We have been and currently are involved in developing distributed generation projects in California. Based on our recent experience in California, we respectfully submit the following comments to your questions for the siting committee workshop on developing a strategic plan for distributed generation.

I. Scope of the Energy Commission Strategic Planning Effort

The purpose of this Strategic Plan should be to promote the development and implementation of distributed generation wherever and with whatever technologies that meet the following criteria:

1. Provide positive, incremental economic gain to the end user of the electrical output and /or thermal output of the distributed generation facility.  
  
[Positive economic gain to the end user will promote a healthier California economy that results in more state and local tax revenues, and more employment opportunities for state residents. Positive economic gain will also force the distributed generation facility to be efficient, reliable and affordable.]
2. Meet all state and local permitting requirements and comply with all applicable technical interconnection criteria for interconnection with the local utility grid.

II. Vision, Mission, and Goals of an Energy Commission Strategic Plan

1. The Energy Commission's vision or "desired future state" for distributed generation should be consistent with the US Department of Energy's (DOE) vision, except that California's vision should also encompass the concept of affordability or cost competitiveness in addition to DOE's vision of cleanest, most efficient, and reliable.
2. DOE's mission, goals, and objectives of their distributed generation strategic plan are consistent with California's efforts to deploy distributed generation, with the exception that California's plan should encompass the concept of cost

competitiveness of distributed generation technologies and interconnection rules and procedures.

3. We do not support the concept of setting arbitrary goals such as the 20% target that DOE has in their goals. If the CEC's strategic plan is structured to support the deployment of distributed generation based on meeting competitive costs relative the alternative economic forms of generation, while also meeting standards for air emissions, safety, and reliability, the amount of distributed generation that is in fact deployed will reach a natural economic level, be it 20% or something else. The setting of an arbitrary volumetric goal could contribute to California having an undesirable cost of energy to the consumers and thus put California at a disadvantage relative to other states.

### III. Barriers to Deployment of Distributed Generation

1. Based on our experience, the single largest barrier to implementation of a distributed generation project is the cost of interconnection imposed by the local utility and its interconnection processes. Our experience is with PG&E who wanted to charge us a total cost of 30% of the capital cost of the project to effect the physical interconnection. This is on top of the capital costs they imposed on the project for technical equipment, owned by us, that we had to have to meet their technical specifications. PG&E's interconnection process allows them to not guarantee or control the costs they impose on a distributed generation facility. PG&E wants to pass through their costs without any responsibility for cost effectiveness or cost competitiveness, or justification for the technical solution that supports their costs.
2. Technical issues that will vary from site to site drive the costs of interconnecting a distributed generation facility with the local utility grid. This should lay the problem of devising rules and regulations that force the local utility grid owner/operator to justify the technical solutions and their respective costs in the hands of the CPUC. Part of the interconnection costs issue resides in the accounting processes used by the local utility for the money paid to them by the distributed generation owner for making the physical interconnection. The local utility grosses up the money they receive to cover their the tax obligation because the money is deemed to be revenue by the utility and passed back to the distributed generation facility. This process needs oversight by the CPUC to ensure that it is being performed in a manner that meets all proper accounting rules, but is optimized to keep the interconnection costs as low as practical.
3. In addition to number 2 above, the CEC should eliminate or reduce the economic barriers preventing distributed generation projects from going forward that utilize waste fuels (such as oilfield gas that is currently being flared or landfill gas) and combined heat and power (cogeneration) projects that would improve the fuel efficiencies over the State's average fuel efficiency for power generation.

#### IV. Policies to Develop for the Strategic Plan

1. From our perspective, the key policy issue is how to encourage the use of distributed generation to a) improve purchased fuel use efficiencies (this only works with cogeneration applications), b) turn currently wasted fuel sources into useable electrical and thermal energy that can displace that being produced by purchased fuels, and c) provide new generation at the point of consumption in lieu of building additional transmission and/or distribution lines as long as the economics to do so are favorable.
2. Distributed generation will not solve the type of major energy crisis that occurred in California over the last two years. However, wisely deployed, distributed generation can contribute to the solution, but to date, there has been very little of it put to use. We would encourage a detail examination of those factors missing in the policies that have could have provided more stimulus.
3. We are not sure we understand the concept of the so-called microgrid well enough to provide a value added opinion.
4. We don't believe that you need to change the definition of a public utility to promote the effective use of distributed generation.
5. The Building Energy Efficiency Standards should embrace the advantages of using distributed generation in new construction where net efficiency gains over not deploying distributed generation can be demonstrated and where it will not incrementally degrade the air quality beyond the current standards for the specific site.

#### V. State Agency and Organization Involvement in Distributed Generation

We are not qualified to address this category of questions.

#### VI. Specific Distributed Generation Activities by the Energy Commission

1. The Energy Commission could provide the following initiatives:
  - a. For new or emerging technologies that show promise of providing economic benefit while meeting or exceeding air emissions standards, the State could eliminate all economic disadvantages such as exempting the sites/users from payment of (i) the nuclear decommissioning fee, (ii) the Public Purpose Fund fee, (iii) any stand-by power rates that are different than the user's normal electricity rate, and (iv) any departure fee that penalizes the user for displacing the power he was purchasing from the grid with the power from the new potentially beneficial technology.
  - b. The use of renewable energy sources should get the same incentives, at a minimum, to those mentioned above for new, emerging technologies.
  - c. The same comment applies to sites where a waste fuel is being sub-optimized and which could be economically turned into useful energy for displacing energy currently being provided via the grid.

- d. Not all new construction can benefit from distributed generation application, but where the application of distributed generation to new building construction can utilize cogeneration such that the total fuel conversion efficiency is better than the grid's average fuel conversion efficiency, and the site can accept the new source air emissions, the site should be exempted from any stand-by rate structure for electricity or any special charges the local utility might try to charge the site for supplying back-up power.
- e. Distributed generation plants should not be required to go through a "Licensing" program that does not currently exist. To qualify for incentive oriented programs or exemptions, as previously discussed, the distributed generation sites should file a standardized application form with the CEC that then qualifies them for the various incentives/exemptions.
- f. We do not have any comments regarding web site or outreach programs run by the State to get the word out to potential target audiences.

#### VII. Procedural Issues

- 1. We are an industrial oriented, for profit business and therefore would not propose to tell the Energy Commission how to approach the process to establish a strategic plan for distributed generation. However, if it is to be done by a committee process, we encourage the Commission to include all the "stake holders" on the committee or committees. This would, at a minimum, include representation from various end user groups, utility companies, distributed generation equipment suppliers, distributed generation developers, and financing institutions that fund such projects.

We appreciate the opportunity to submit our comments to the Siting Committee working on the process to develop a statewide strategic plan for distributed generation. Attached is a brief description of TriStar Power.

Sincerely,

Paul J. Friesen

## **Description of the Company**

TriStar Power, Inc. is a provider of turnkey solutions in distributed power generation and power management to oil & gas producers, facility owners & operators (industrial, commercial, and institutional), and wholesale & retail electric providers seeking outsourcing solutions. We offer distributed power solutions via rental agreements or leasing agreements with full or partial operation and maintenance services. We will design, build, own, and operate the small power plants or energy supply systems. We also offer purchase-lease back arrangements on existing power generation facilities. TriStar Power, Inc. is a privately held corporation based in Dallas, TX.

TriStar's power solutions utilize reciprocating engines driving generators or turbine based systems. TriStar's value proposition to our clients is in developing power generation solutions that solve the energy system needs of our customers and provide real, tangible economic benefits that positively impact our customers' income statement and balance sheet. The scope of supply provided by TriStar can include subsystems related to electric power generation such as providing thermal energy (steam or hot water) to an industrial process or cogeneration using absorption refrigeration systems for facility space cooling. We work closely with our clients to obtain the most economic forms of high reliability and energy conversion efficiency as an integral part of our value added solutions.

## **Owners**

### **Robert Stiles**

Mr. Stiles was most recently President and CEO of Weatherford Global Compression Services a joint venture between Weatherford International and GE Capital Corp. He was elected Senior Vice President of Weatherford International in May 1998 following the merger between EVI and Weatherford, and became the executive in charge of both the Artificial Lift and Compression Divisions. Mr. Stiles was elected a Vice President of EVI in March 1997 and served as President of the Artificial Lift Systems Division from January 1996 to November 1998. Prior to that time, Mr. Stiles served as President of Production Oil Tools, Inc. one of the subsidiaries included in the Artificial Lift Systems Division, from November 1993 to December 1995 and as Vice President of Manufacturing of Grant Prideco from October 1992 to November 1993. Before joining EVI, Mr. Stiles was Vice President of Research and Engineering for Baker Oil Tools, a subsidiary of Baker-Hughes, Inc. Mr. Stiles is an engineering graduate of Texas A&M University and has an M.B.A. from Southern Methodist University.

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### **Paul Friesen**

Paul spent 24 years with General Electric Co. His most recent position, which he held from 1996 to 1999, was President and CEO of Global Compression Services, Inc., a wholly owned subsidiary of GE Capital. In 1999, this business was merged with Weatherford Compression to form Weatherford Global Compression Services, LLC. Paul was retained as a consultant to Weatherford Global assisting them in the divestiture of a compressor manufacturing component and developing a new strategic direction via a joint venture with a Fortune 500 company. Prior to his time running Global Compression Services, Paul held various positions in GE's Power Systems Business located in Schenectady, NY. His last position was General Manager of the Steam Turbine and Generator Products Business, an \$830 million per year global business. Prior to the steam turbine generator business, Paul held other key General Manager positions in Marketing and Business development roles at GE Power Systems. Paul has a BS degree in Mechanical Engineering and has retained a strong technical base in the fields of power generation (both electrical and mechanical drive applications) and turbo-machinery.

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